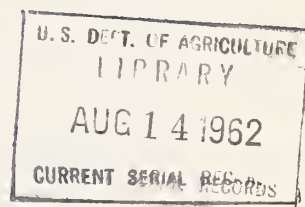


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Milk Distributors'



**Sales and Costs
July-Sept. 1961**

U.S. DEPARTMENT OF AGRICULTURE
Economic Research Service

MDSC No. 20

MILK DISTRIBUTORS' SALES AND COSTS

July - September 1961

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: This report is the current issue of a series based upon information :
: obtained from distributors of fluid milk and cream products. These :
: distributors are subscribers to a cost comparison service which :
: furnished the Department with tabular data for analysis. A uniform :
: accounting system is used, and information is given on standardized :
: forms. Data reported include: Costs and quantities of raw milk :
: and other raw materials; prices and quantities of products sold; :
: and operating costs. :
: The firms selected are privately owned, and chiefly single-plant :
: firms. In these characteristics they are considered to be typical. :
: Very small firms, very large firms, national chains, and producer- :
: distributors are not included. :
:

SALES AND COSTS

In the July-September quarter of 1961, the sales value of products sold by fluid milk distributors was higher than the previous quarter and higher than a year earlier (fig. 1). The cost of materials for processing and resale was up seasonally but the same as last year. Operating costs again reached an all-time high, primarily because of increased personnel costs. The net margin was about average for the third quarter of the year (fig. 2).

Net Sales Receipts

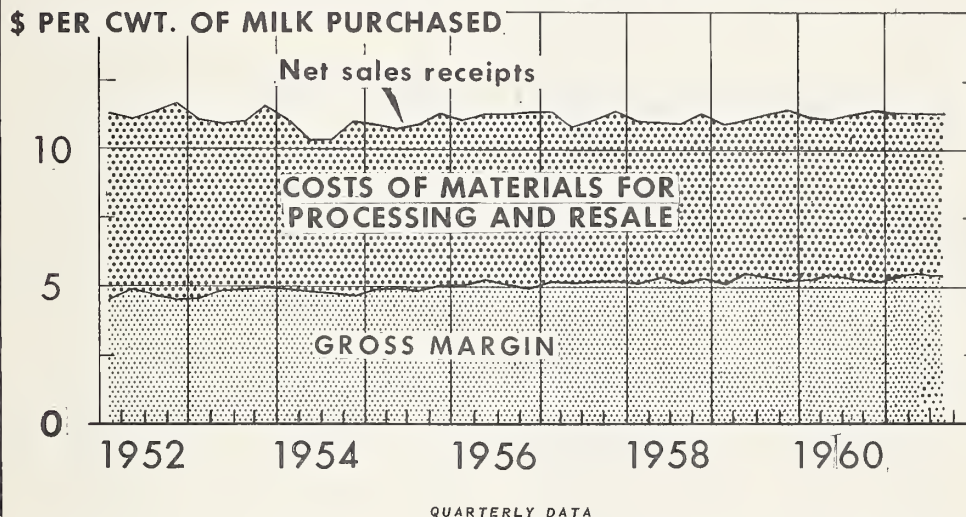
In the July-September quarter of 1961, net sales receipts were \$11.37 per 100 pounds of milk and cream processed (table 1). The increase of 2 cents from April-June was about average. The increase from a year earlier reflected primarily an increase in non-fluid milk items.

Cost of Materials for Processing and Resale

Cost of materials for processing and resale was \$5.96, the same as a year earlier. The increase of 10 cents from the April-June quarter was less than in most previous years -- primarily because the cost of milk and cream was relatively low. This cost at \$4.90 was the same as in 1958, but lower than the July- September quarters of other years since 1955.

Fluid Milk Processing-Distributing Firms

NET SALES, COST OF MATERIALS, AND GROSS MARGIN



U. S. DEPARTMENT OF AGRICULTURE

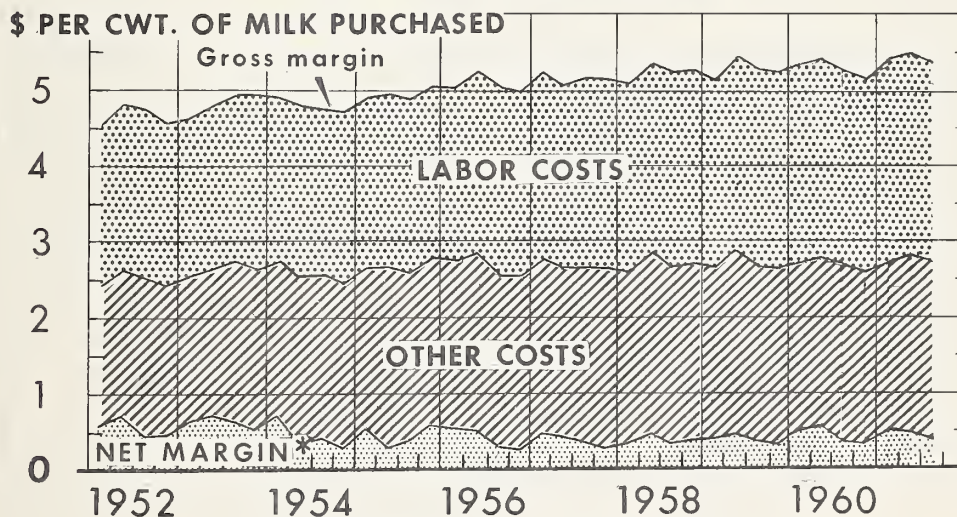
NEG. ERS 37- 62 (2)

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Figure 1

Fluid Milk Processing-Distributing Firms

OPERATING COSTS



* BEFORE INCOME TAX.

QUARTERLY DATA.

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Figure 2

Table 1.--COSTS AND MARGINS FOR SELECTED DAIRY FIRMS: Per 100 pounds of milk and cream processed, for years 1952-60, and for the 5 most recent quarters

Account	Yearly average										1961			
	1952	1953	1954	1955	1956	1957	1958	1959	1960	July - Sept.	Oct. - Dec.	Jan. - Mar.	Apr. - June	July - Sept.
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
Net sales receipts 1/ ...	11.32	11.12	10.69	10.95	11.22	11.15	11.05	11.16	11.25	11.23	11.41	11.35	11.35	11.37
Cost of materials for processing and resale:														
Raw milk and cream ...	5.85	5.43	5.07	5.12	5.39	5.23	5.13	5.10	5.11	5.03	5.34	5.13	4.85	4.90
Other .....	.82	.86	.83	.89	.76	.77	.70	.80	.87	.93	.91	.82	1.01	1.06
Total	6.67	6.29	5.90	6.01	6.15	6.00	5.83	5.90	5.98	5.96	6.25	5.95	5.86	5.96
Gross margins	4.65	4.83	4.79	4.94	5.03	5.15	5.22	5.26	5.27	5.27	5.16	5.40	5.49	5.41
Operating costs:														
Salaries, wages, and commissions 2/	2.15	2.19	2.21	2.28	2.43	2.50	2.56	2.61	2.62	2.64	2.58	2.67	2.68	2.71
Containers .....	.60	.62	.65	.70	.72	.71	.70	.69	.66	.67	.65	.66	.68	.66
Operating supplies .....	.30	.32	.35	.32	.28	.29	.29	.29	.30	.30	.30	.30	.29	.31
Repairs, rent, and depreciation .....	.50	.52	.57	.60	.64	.67	.68	.67	.66	.67	.65	.67	.69	.69
Taxes .....	.06	.06	.06	.06	.05	.06	.06	.06	.06	.06	.06	.06	.06	.07
Insurance .....	.02	.02	.03	.04	.04	.04	.04	.04	.05	.05	.05	.05	.06	.05
Services .....	.16	.19	.19	.18	.17	.17	.17	.17	.18	.20	.18	.16	.19	.21
Advertising .....	.15	.15	.16	.18	.19	.18	.18	.18	.18	.19	.20	.18	.19	.19
General .....	.15	.13	.13	.14	.16	.15	.16	.16	.15	.15	.18	.15	.17	.16
Total	4.09	4.20	4.35	4.50	4.68	4.77	4.84	4.87	4.86	4.92	4.85	4.90	5.01	5.05
Net margins 3/ .....	.56	.63	.44	.44	.35	.38	.38	.39	.41	.35	.31	.50	.48	.36
Firms reporting	43	51	75	83	80	80	80	80	80	80	80	80	80	80

1/ Gross sales receipts less discounts, allowances, and returns.

2/ Includes State unemployment, Federal old age, workmen's compensation, and employee benefits.

3/ Net returns to owners before income taxes.

Operating Costs

Operating costs increased for the third consecutive quarter, reaching a new high of \$5.05 per 100 pounds of milk and cream processed. In July-September 1961, operating costs were 13 cents higher than a year earlier; in April-June 1961, they were 16 cents higher than a year earlier. These increases are substantially more than in most previous years.

As in earlier years, personnel costs (wages, salaries and commissions) account for most of the increase in total operating costs. For two years between April 1959 and March 1961, personnel costs and total costs remained quite stable; both are again moving upward.

Costs associated with facilities -- taxes and rent, repairs, and depreciation -- were higher in July-September than a year earlier. Supplies, purchased services, and general expenses were also higher. Only container cost was lower than last year.

The net margin, before income taxes, of 36 cents per 100 pounds of milk and cream processed, was average. Net margins for the July-September quarters of 1957-61 were 36, 33, 37, 35, and 36 cents consecutively.

SELLING PRICES

Listed selling prices for a selected group of fluid milk firms indicate that both average retail and average wholesale prices of milk increased in 1960 and 1961. The data cover milk packaged in types and sizes of containers used in households and do not indicate the effects of quantity discounts (table 2).

Between 1956 and 1959, weighted average prices remained stable or declined slightly, despite the fact that prices for milk in individual types and sizes of containers generally increased. However, the increases were offset by a shift away from higher-priced varieties of milk to lower-priced milk in larger containers (table 3).

These shifts, quite rapid during 1956-59, have been slow during the past 2 years. Consequently, the increases in prices in the individual type and size of container have resulted in increased average prices. The differences between the two periods can be shown by illustration:

For retail sales, the price of quarts of homogenized milk increased from 24.3 cents in 1956 to 25.3 cents in 1959 but the quantity accounted for 15 percent less of the total. At the same time, the price of half-gallons decreased from 23.4 cents per quart to 23.3 cents but the quantity accounted for 25 percent more of the total. During 1960 and 1961, quart prices increased to 26.4 cents but the volume changed little. Half-gallon prices increased to 25.0 cents per quart with but little change in volume.

Briefly, the shift to larger containers and away from premium priced milk has continued but at a much slower rate during the past 2 years. The shift has not been large enough to offset increases in unit prices.

Table .--LISTED SELLING PRICES PER QUART: Milk sold in types and sizes of containers used in households, April-June quarter, 1956-61 1/

April-June quarter	Homogenized milk			Premium milk	Creamline milk	Weighted average
	Gallons	Half-gallons	Quarts	Quarts	Quarts	
	<u>Cents</u>	<u>Cents</u>	<u>Cents</u>	<u>Cents</u>	<u>Cents</u>	<u>Cents</u>
<u>Retail <u>2/</u></u>						
Average:						
1956	20.9	23.4	24.3	26.1	24.2	24.4
1957	21.3	23.0	24.1	27.0	24.1	24.0
1958	20.8	22.9	24.4	27.5	24.3	23.8
1959	21.1	23.3	25.3	27.0	25.0	24.4
1960	22.2	24.8	26.3	27.2	26.3	25.4
1961	22.4	25.0	26.4	28.1	27.0	25.6
Range:						
1956	18.0-24.5	20.0-27.5	17.5-28.0	19.5-29.0	17.5-29.0	
1957	18.5-24.5	19.5-27.5	20.0-29.0	21.0-30.0	20.0-31.0	
1958	18.0-24.5	18.5-27.5	19.0-29.0	22.0-30.0	19.0-27.0	
1959	17.0-25.0	18.5-28.0	21.0-28.5	23.0-30.5	20.0-27.0	
1960	19.5-25.8	20.0-29.5	21.0-29.5	23.0-30.5	21.0-32.5	
1961	19.5-26.2	20.5-28.5	21.0-29.0	25.0-31.0	21.0-29.5	
<u>Wholesale</u>						
Average:						
1956	17.7	20.3	21.8	23.9	22.9	21.4
1957	18.3	21.0	22.1	23.7	22.5	21.5
1958	18.4	20.7	22.6	24.7	22.6	21.3
1959	18.7	20.7	22.5	25.6	22.7	21.1
1960	21.0	21.9	23.5	25.6	23.6	22.2
1961	20.6	22.0	23.6	26.2	23.8	22.2
Range:						
1956	15.5-22.0	18.0-25.5	17.0-26.0	19.0-27.0	17.0-25.0	
1957	15.5-23.0	16.5-25.5	17.0-26.0	20.0-28.0	17.5-27.0	
1958	15.5-21.5	16.0-26.0	17.0-26.5	19.5-28.0	17.0-25.5	
1959	15.5-21.5	16.0-25.5	17.5-27.5	20.5-27.0	17.0-26.5	
1960	16.8-24.0	16.5-26.5	18.0-27.5	20.0-28.0	19.0-27.5	
1961	17.5-24.8	17.5-26.5	18.0-27.0	21.0-27.0	18.0-27.0	

1/ Milk only; does not include skim milk, chocolate milk, buttermilk, cream and milk mixture, or cream. Container sizes not included (bulk dispenser cans, pints, 1/3 quarts, and 1/2 pints) are used for institutional sales outlets.

2/ Home delivery and dairy-owned stores.

Table ---Percentage of milk distributors' sales by specified types of milk and sizes of containers used in households, retail and wholesale, April-June quarter, 1956-61 ^{1/}

Kind of milk and size of container	Retail ^{2/}						Wholesale					
	1956	1957	1958	1959	1960	1961	1956	1957	1958	1959	1960	1961
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
Homogenized milk, all containers.....	<u>72.7</u>	<u>78.9</u>	<u>84.1</u>	<u>87.2</u>	<u>89.6</u>	<u>89.9</u>	<u>88.2</u>	<u>95.4</u>	<u>96.3</u>	<u>97.4</u>	<u>98.1</u>	<u>99.1</u>
Gallons, glass.....	<u>2.3</u>	<u>2.4</u>	<u>4.5</u>	<u>5.6</u>	<u>8.1</u>	<u>8.5</u>	<u>3.0</u>	<u>3.6</u>	<u>5.2</u>	<u>7.6</u>	<u>9.2</u>	<u>11.2</u>
Half-gallons.....	<u>12.1</u>	<u>23.0</u>	<u>35.7</u>	<u>37.6</u>	<u>38.2</u>	<u>39.4</u>	<u>30.2</u>	<u>47.7</u>	<u>56.6</u>	<u>64.2</u>	<u>66.9</u>	<u>68.9</u>
Glass.....	<u>10.0</u>	<u>18.5</u>	<u>20.4</u>	<u>21.6</u>	<u>25.2</u>	<u>27.1</u>	<u>2.0</u>	<u>1.7</u>	<u>1.4</u>	<u>2.4</u>	<u>4.4</u>	<u>4.0</u>
Paper.....	2.1	4.5	15.3	16.0	13.0	12.3	28.2	46.0	55.2	61.8	62.5	64.9
Quarts.....	<u>58.3</u>	<u>53.5</u>	<u>43.9</u>	<u>44.0</u>	<u>43.3</u>	<u>42.0</u>	<u>55.0</u>	<u>44.1</u>	<u>34.5</u>	<u>25.6</u>	<u>22.0</u>	<u>19.0</u>
Glass.....	<u>47.6</u>	<u>45.4</u>	<u>37.3</u>	<u>38.6</u>	<u>38.6</u>	<u>38.2</u>	<u>10.3</u>	<u>6.5</u>	<u>3.5</u>	<u>2.5</u>	<u>2.0</u>	<u>1.4</u>
Paper.....	10.7	8.1	6.6	5.2	4.7	3.8	44.7	37.6	31.0	23.1	20.0	17.6
Premium milk, quarts.....	<u>14.4</u>	<u>8.2</u>	<u>4.8</u>	<u>4.1</u>	<u>3.1</u>	<u>3.2</u>	<u>4.7</u>	<u>1.0</u>	<u>.8</u>	<u>.7</u>	<u>.4</u>	<u>.4</u>
Glass.....	<u>13.6</u>	<u>7.3</u>	<u>4.1</u>	<u>3.6</u>	<u>2.5</u>	<u>3.0</u>	<u>2.5</u>	<u>.2</u>	<u>.2</u>	<u>.1</u>	<u>.1</u>	<u>.1</u>
Paper.....	.8	.9	.7	.5	.6	.2	2.2	.8	.6	.6	.3	.3
Creamline milk, quarts.....	<u>12.9</u>	<u>12.9</u>	<u>11.1</u>	<u>8.7</u>	<u>7.3</u>	<u>6.9</u>	<u>7.1</u>	<u>3.6</u>	<u>2.9</u>	<u>1.9</u>	<u>1.5</u>	<u>.5</u>
Glass.....	<u>11.5</u>	<u>11.8</u>	<u>10.2</u>	<u>8.5</u>	<u>7.3</u>	<u>6.7</u>	<u>3.2</u>	<u>1.5</u>	<u>.9</u>	<u>.4</u>	<u>.9</u>	<u>.3</u>
Paper.....	1.4	1.1	.9	.2	.0	.2	3.9	2.1	2.0	1.5	.6	.2
All milk.....	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Total glass.....	85.0	85.4	76.5	78.1	81.7	83.5	21.0	13.5	11.2	13.0	16.6	17.0
Total paper.....	15.0	14.6	23.5	21.9	18.3	16.5	79.0	86.5	88.8	87.0	83.4	83.0
Total.....	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

^{1/} Milk only; does not include skim milk, chocolate milk, buttermilk, cream and milk mixtures, or cream. Container sizes not included (bulk, dispenser cans, pints, 1/3 quarts and 1/2 pints) are used for institutional sales outlets.

^{2/} Home delivery and dairy-owned stores.

The changes in prices and container sizes for wholesale sales were about the same as for retail. Unit prices generally increased throughout the 1956-61 period; the shifts in container sizes were rapid during 1956-59 but slow in 1960 and 1961. Consequently, weighted average wholesale prices have also increased.

It is probable that the prices paid by consumers are less than indicated by the above weighted average list prices. Quantity discounts plans are in effect in many markets for retail sales and in most markets for wholesale sales.

The shift from glass containers to paper containers appears to have stopped or reversed in the past 2 years. The proportion of milk in gallon jugs increased for both retail and wholesale sales; glass half-gallons have become increasingly important for retail. Considering these factors and others, it appears that a little more than half of the milk currently consumed in households is from glass containers.